

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
)

**Auction of Advanced Wireless Services)
Licenses Scheduled for June 29, 2006)
)
)**

AU Docket No. 06-30

REPLY COMMENTS OF METROPCS COMMUNICATIONS, INC.

Carl W. Northrop
J. Steven Rich
Paul, Hastings, Janofsky
& Walker LLP
875 15th Street, NW
Washington, DC 20005
(202) 551-1700

Its Attorneys

February 28, 2006

Mark A. Stachiw
Senior Vice President,
General Counsel and Secretary
MetroPCS Communications, Inc.
8144 Walnut Hill Lane, Suite 800
Dallas, TX 75231
(214) 265-2550

TABLE OF CONTENTS

Summary.....	i
I. Preliminary Statement.....	1
II. The Commenters Are Nearly Unanimous In Agreeing That Combinatorial Bidding And a Simultaneous Concurrent Auction Should Not Be Used in Auction No. 66.....	3
III. The Commenting Parties Demonstrate That Pro-Competitive Need Exist For Information Concerning Bidders' Identities And That The Bureau's Concerns Relating To Collusion Are Overstated.....	8
IV. Other Issues	14
V. Conclusion	15

Summary

MetroPCS Communications, Inc. (“MetroPCS”) is submitting its Reply Comments with regard to the procedures to be used for the upcoming auction of Advanced Wireless Services (“AWS”) licenses in FCC Auction No. 66.

A large number of interested parties filed comments in this proceeding, many of whom are prospective participants in Auction No. 66. These interested parties express the nearly unanimous view that the Commission should not conduct a simultaneous concurrent auction using package bidding procedures for a portion of the AWS-1 licenses. Many commenters agree with MetroPCS that package bidding adds unneeded complexity to the auction and creates a serious risk of unintended and undesirable consequences without providing any substantial public interest benefits. The only prospective bidder supporting combinatorial bidding, Verizon Wireless, fails to provide compelling reasons for abandoning the tried and true procedures that have worked successfully in recent broadband spectrum auctions.

The commenting parties also resoundingly oppose the use of blind bidding. Many comments buttress the position advocated by MetroPCS that there are substantial pro-competitive benefits of providing full information regarding the identity of bidders, their bids, and other information. On balance, the risk of unintended consequences through blind bidding is much greater than the theoretical risks of collusion that were identified by the Commission in the *Notice* and which already have been addressed effectively by prior Commission actions.

Finally, MetroPCS joins those commenting parties who support a reserve price of \$0.025 per MHz per Pop for the RSA markets. The demand for these licenses is likely to be quite limited. This being the case, the RSA licenses are more likely to receive opening bids and,

ultimately, garner a fair price if the starting point for the bids is lower than the proposed \$0.05 per MHz per Pop.

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
)

**Auction of Advanced Wireless Services
Licenses Scheduled for June 29, 2006**)

AU Docket No. 06-30
)
)
_____)

REPLY COMMENTS OF METROPCS COMMUNICATIONS, INC.

MetroPCS Communications, Inc. (“MetroPCS”),¹ by its attorneys, hereby respectfully submits its reply comments in response to the *Public Notice*, DA 06-238, released January 31, 2006 (the “*Notice*”)² in the above-captioned proceeding. The following is respectfully shown:

I. PRELIMINARY STATEMENT

In the *Notice*, the Wireless Telecommunications Bureau (the “Bureau”) of the Federal Communications Commission (the “FCC” or the “Commission”) seeks comment on certain changes to the well-tested and well-understood broadband personal communications services (“PCS”) auction procedures for the upcoming auction of Advanced Wireless Services (“AWS”)

¹ For purposes of these Comments, the term “MetroPCS” refers to the parent company (MetroPCS Communications, Inc.) and all of its FCC-licensed subsidiaries.

² Auction of Advanced Wireless Services Licenses Scheduled for June 29, 2006; Comment Sought on Reserve Prices or Minimum Opening Bids and Other Procedures, AU Docket No. 06-30, *Public Notice*, DA 06-238 (released Jan. 31, 2006).

licenses in the 1710-1755 MHz and 2110-2155 MHz (“AWS-1”) bands. The AWS-1 auction is currently scheduled to begin on June 29, 2006.³

The comments filed in this docket reflect an almost unanimous consensus among prospective applicants and other interested parties that the Commission should abandon the two most fundamental changes proposed in the recent *Notice* from the broadband PCS auction rules used in prior auctions. First, virtually all carriers oppose the proposal to conduct two separate but concurrent auctions: one using the FCC’s familiar simultaneous multiple round (“SMR”) format, and the other using an SMR-package bidding (“SMR-PB”) approach.⁴ Second, virtually all commenters—and nearly all of the participants from within the telecommunications industry—find that there are substantial *pro-competitive* benefits to providing information on bidders, bids, and bidding identities, and strenuously oppose the Bureau’s proposal to utilize blind bidding in the AWS auction.⁵

As many commenters have noted, the AWS auction is the most important spectrum auction in a decade. The FCC therefore has the opportunity to influence the wireless industry for

³ As noted in its comments in this proceeding, “MetroPCS would like to see the AWS auction proceed sooner rather than later.” Comments of MetroPCS Communications, Inc. (“MetroPCS Comments”) at 3. In the event that the Bureau avoids making any radical changes to its well-tested and well-understood broadband PCS auction procedures (such as the adoption of combinatorial and/or blind bidding), MetroPCS supports the commencement of the AWS-1 auction in mid-summer 2006. Even if the Bureau does proceed with the AWS auction under well tried-and-true procedures, however, MetroPCS agrees with Verizon Wireless that it is not practical to commence the auction immediately prior to the Independence Day holiday weekend and supports Verizon Wireless’s request that the auction be delayed for a period of two weeks to accommodate the holiday. *See* Comments of Verizon Wireless at 1, fn. 1. In any event, the auction applications should not be due until 60 days following the release of the final auction rules (including any changes to the designated entity program).

⁴ Indeed, even the one carrier supporting an SMR-PB auction for AWS spectrum opposes running the auctions concurrently. *See* Comments of Verizon Wireless at 5.

⁵ MetroPCS notes that support for the Bureau’s proposed blind-bidding approach for the AWS auction comes primarily from academics, not from carriers or others well-versed in the commercial realities of the telecommunications industry. The flaws in the assumptions of these academics are addressed below. In addition, support comes from one lone carrier – Verizon Wireless – and as discussed *infra* Verizon Wireless does not demonstrate any substantial benefits to withholding this information.

years, if not decades, through the procedures it adopts in this proceeding. MetroPCS respectfully submits that the Bureau should not ignore the virtually unanimous consensus that has emerged in the comments, and must not use the AWS auction participants as “guinea pigs” on which it experiments with untried auction designs, even if there might be some *theoretical* benefits of such designs. In the collective experience of MetroPCS, and nearly all of the other carriers that are participating in this proceeding, the AWS auction is instead a time for the Bureau to follow its well tried-and-tested procedures order to ensure maximum participation and the efficient allocation of licenses.

II. THE COMMENTERS ARE NEARLY UNANIMOUS IN AGREEING THAT COMBINATORIAL BIDDING AND A SIMULTANEOUS CONCURRENT AUCTION SHOULD NOT BE USED IN AUCTION NO. 66

In the *Notice*, the Bureau proposes to auction all of the AWS-1 licenses in a single auction using the FCC’s standard SMR auction format, but also seeks comment on whether to bifurcate the auction into a simultaneous SMR auction and an SMR-PB auction for certain licenses. Virtually all of the parties filing comments in this proceeding expressly support the use of an SMR auction.⁶ As these commenters observe, the SMR format is widely understood by potential bidders, and is a well tried-and-tested auction design that works well.⁷

In stark contrast to the nearly unanimous support for a single SMR auction, only *one carrier* offers even partial support for the Bureau’s alternative suggestion to combine an SMR

⁶ See, e.g., MetroPCS Comments at 6; Comments of Sprint Nextel Corporation (“Sprint Nextel Comments”) at 1; Joint Comments of Columbia Capital LLC and MC Venture Partners (“Columbia/MC Comments”) at 3; Comments of Leap Wireless International, Inc. (“Leap Comments”) at 2; Comments of Cingular Wireless LLC (“Cingular Comments”) at 2; Comments of United States Cellular Corporation (“U.S. Cellular Comments”) at 1; Comments of Alltel Corporation (“Alltel Comments”) at 2; Comments of Wirefree Partners III, LLC (“Wirefree III Comments”) at 1; and Comments of T-Mobile USA, Inc. (“T-Mobile Comments”) at 3.

⁷ See, e.g., T-Mobile Comments at 4; and Cingular Comments at 2.

auction with a simultaneous SMR-PB auction for certain licenses.⁸ However, the SMR-PB auction Verizon Wireless seeks is materially different from what the FCC proposed. Verizon Wireless argues that the Bureau should hold the SMR-PB auction at a different time from the SMR auction because it claims there are strong complementarities among certain licenses and the pattern of those complementarities varies for different bidders.⁹ Verizon Wireless offers no evidence or analysis to support its position, but instead provides only a candid assessment of the benefits that an SMR-PB auction might bring to itself: “an SMR-PB auction for two of the REAG licenses would permit those bidders seeking nationwide or larger geographic and spectral combinations to aggregate those licenses more efficiently.”¹⁰

What Verizon Wireless overlooks, however, is that the Bureau already has taken these issues into account, to the extent that complementarities exist and the patterns of those complementarities vary for bidders, in the design of the band plan for AWS. Unlike auctions of fungible licenses where all of the licenses cover the same amount of geographic area and spectrum amount, the AWS band plan varies both the amount of spectrum and the geographic areas of the license specifically to make it easier for bidders to mix and match during the same auction any licenses which it views may have complementarities. Furthermore, as MetroPCS demonstrates in its comments, the SMR format allows bidders to satisfy these complementarities in SMR format auctions.¹¹ For example, in Auction No. 3 held by the Commission, several licensees were able to create nationwide narrowband PCS licenses relatively easily out of

⁸ Comments of Verizon Wireless (“Verizon Wireless Comments”) at 2.

⁹ SMR-PB auctions work best when all licenses are fungible and are relatively the same, which increases the need for bidders to express their complementarities through package bids.

¹⁰ Verizon Wireless Comments at 4.

¹¹ MetroPCS Comments at 8-9.

regional licenses during the course of the auction. Moreover, disregarding the dubious validity of a policy solely designed to assist one large carrier that will benefit from a separate auction where competition will be limited by eligibility rules and upfront payments and which disfavors smaller carriers and new entrants, Verizon Wireless also fails to explain how the existing REAG license blocks—essentially a de facto set-aside for the national carriers—will be inadequate. Notably, the national carriers other than Verizon Wireless do not support the alternative SMR-PB approach or Verizon Wireless’s alternate position.¹² Finally, even though Verizon Wireless tepidly supports SMR-PB auction for certain licenses, Verizon Wireless opposes one of the key elements of the Bureau’s proposal, which is that both the SMR and the SMR-PB auctions be conducted simultaneously.¹³

Virtually all of the commenters other than Verizon Wireless offer numerous reasons why the Bureau should not utilize an SMR-PB design for the AWS-1 auction. For example, several parties observe that neither the Bureau nor potential bidders will have time to prepare for such a radical change in auction procedures between now and mid-summer, much less between the date of release of the final auction procedures public notice and the scheduled commencement of the auction.¹⁴ Given the accelerated timeframe in which the Commission is attempting to conduct the AWS-1 auction, the Bureau should avoid any procedures that could delay the auction or deter

¹² See Cingular Comments; T-Mobile Comments; and Sprint Nextel Comments. In addition, CTIA – The Wireless Association® weighs in against the SMR-PB format. See Comments of CTIA (“CTIA Comments”) at 1-3.

¹³ Verizon Wireless Comments at 5.

¹⁴ See MetroPCS Comments at 4-5; Sprint Nextel Comments at 2; CTIA Comments at 3; and Comments of the National Telecommunications Cooperative Association (“NTCA Comments”) at 3.

participation by potential bidders.¹⁵ It is also noteworthy that the FCC’s own experiments demonstrate that an SMR-PB auction may take three or four times as many rounds to complete as an SMR auction with the same number of licensees.¹⁶ This means that the use of SMR-PB would undercut the Commission’s goal of issuing the AWS-1 licenses as quickly as possible.

Several commenters—including some of the *national carriers*—also observe that the use of an SMR-PB auction design would harm small, rural, and regional carriers.¹⁷ Leap Wireless explains that the use of SMR-PB would result in the “threshold problem,” which “occurs when small bidders cannot raise their bids enough to beat out a large bidder, even though the aggregate value of the small bidders may be greater than the large bidder’s value.”¹⁸ This also could lead to substantial competitive problems if some bidders are able to acquire spectrum at substantially lower prices per MHz of population than other bidders.¹⁹ Moreover, the use of simultaneous SMR and SMR-PB auctions would deter participation by independent carriers by doubling the upfront payments required to participate.²⁰

¹⁵ See Cingular Comments at 3-4; Alltel Comments at 2; *see also* MetroPCS Comments at 3-4; and Columbia/MC Comments at 9 (observing that “in each of the past three auctions, the Bureau has released *final procedures* for an auction on average nearly 123 days prior to the start of the auction) (emphasis in original).

¹⁶ See Leap Comments at 5.

¹⁷ See MetroPCS Comments at 8; Sprint Nextel Comments at 3; U.S. Cellular Comments at 12; and Cingular Comments at 4.

¹⁸ Leap Comments at 4; *see also* U.S. Cellular Comments at 6.

¹⁹ Spectrum is the raw material used by wireless carriers to provide services and a fundamental difference in price between what carriers pay for spectrum in roughly the same period of time will cause one competitor to have significantly higher costs which make it more difficult to compete. The beauty of an all-inclusive SMR auction is that all bidders have the possibility of bidding on the spectrum simultaneously, which lowers the possibility of there being significant price variances caused by the auction procedures.

²⁰ See MetroPCS Comments at 8; and Wirefree III Comments at 3. This problem is further exacerbated by the fact that it is not clear that auction participants will be able to use their upfront payments in one auction to satisfy their obligations in the other auction or that the auction participants will receive their upfront payments back in time to pay for any final payments which may be due on licenses in which they were the high bidder. Even though the Commission makes an effort to return the amount of upfront payments promptly when a bidder withdraws, unless the payment rules are structured to allow upfront payments in one auction to be used to pay for licenses won in

(continued...)

Another drawback of the simultaneous SMR and SMR-PB auctions noted by the commenters is the added complexity created by the fact that two different auctions are being conducted at the same time for licenses in the same bands.²¹ For example, bidders would be forced to spend an inordinate amount of time and resources in trying to maintain eligibility for both auctions.²² The potential result of this could be a bidder obtaining two licenses when it only desired one, which means that simultaneous SMR and SMR-PB auctions would lack the major purported benefit of package bidding, *i.e.*, the elimination of the “exposure problem.” As such, the combination of the two auctions would be inconsistent with the theoretical reasons underlying both SMR and SMR-PB.²³ Even Verizon Wireless, which otherwise supports the Bureau’s alternative suggestion, opposes conducting these two auctions simultaneously.²⁴

In summary, no commenting party provides any evidence or analysis to suggest that the simultaneous conduct of SMR and SMR-PB auctions in the AWS-1 auction scheduled to begin in four months would offer any significant public interest benefits. On the other hand, the parties almost unanimously agree that—even if SMR-PB might offer some theoretical benefits for some auction, someday—the drawbacks of adopting the Bureau’s proposed alternative in the AWS-1 auction far outweigh any potential *theoretical* benefits of such an approach. MetroPCS therefore

(...continued)

another auction, there is the possibility that a bidder may need to borrow even more (or bid less) given the possibility it will not receive back its upfront payment in time to make the down payment and final payment for the licenses it won in the other auction.

²¹ See MetroPCS Comments at 7; Sprint Nextel Comments at 10; and T-Mobile Comments at 4.

²² See MetroPCS Comments at 6-7.

²³ Cingular Comments at 4-5 (noting that an SMR auction is “intended to enable bidders to offer their best price for each individual property that is offered,” while an SMR-PB auction is “intended to enable bidders to incur the expense of acquiring auctioned properties only if they are assured of acquiring the critical mass of such properties that they seek.”).

²⁴ Verizon Wireless Comments at 5.

strongly urges the Bureau to heed the concerns of prospective bidders who have articulated the risks inherent in simultaneous SMR and SMR-PB auctions for the AWS-1 auction this summer, and proceed with a single, SMR auction as proposed.

III. THE COMMENTING PARTIES DEMONSTRATE THAT PRO-COMPETITIVE NEEDS EXIST FOR INFORMATION CONCERNING BIDDERS' IDENTITIES AND THAT THE BUREAU'S CONCERNS RELATING TO COLLUSION ARE OVERSTATED

In the *Notice*, the Bureau seeks comment on whether to conceal bidder identities until after the close of the auction and to release only the provisionally-winning bid at the close of each round based on the Bureau's belief that: (i) releasing bidder information will promote collusive activity among bidders; and (ii) bidders do not need this information. Once again, the record reflects a high level of unanimity among commenters in opposition to the Bureau's proposed deviation from longstanding well-understood auction procedures that have worked well in the past.

The only carrier that favors blind bidding is Verizon Wireless. Verizon Wireless offers no analysis of or evidence for the purported benefits of blind bidding, but merely alleges without justification that "[l]imiting information about bidders and bidding will lead to a better auction environment in which the focus rightfully is on licenses and their value, not on other bidders and their bidding strategies."²⁵ However, the Commission must take Verizon Wireless's support for blind bidding with a large grain of salt since its comments make clear that the principal interest of Verizon Wireless is to participate in a separate non-concurrent auction for REAG spectrum which may have less potential bidders—all of whom may be national carriers which would make it easier to discern who is bidding on a particular license. In sum, Verizon Wireless fails to show

²⁵ Comments of Verizon Wireless.

any reason why bidders should not evaluate the strategies of their competitors. More importantly, Verizon Wireless assumes that bidders will not be able to guess which of their competitors are bidding, which may not be the case, at least for other national carriers that can afford teams of analysts and consultants.²⁶

A few economists also support the Bureau's proposal to conceal bidder identities.²⁷ For example, Paul Milgrom and Gregory Rosston state that "[a]s time has passed and more spectrum has been subject to market pricing, valuations have become more transparent, and as technologies have evolved, more spectrum has been made available, and national systems have been established, the importance of coordinating technology choices among bidders has dwindled."²⁸ While Messrs. Milgrom and Rosston clearly are well-versed in economic *theories*, they demonstrate very little grasp of the commercial realities of the wireless industry. As many commenters in this proceeding have noted, the valuation of spectrum licensed pursuant to previous auctions provides little or no guidance to bidders on the proper value of AWS-1 licenses because such technologies will be used for as-yet-undetermined services to be provided via as-yet-unmade equipment.²⁹ Further, there is no reason to believe that carriers will suddenly embrace a single, national standard for AWS, which means that the importance of coordinating technology choices will remain as great or greater than ever.

²⁶ See, e.g., Comments of the Rural Telecommunications Group, Inc. ("RTG Comments") at 4 (noting that "the large, nationwide wireless carriers and other deep-pocket auction entrants will likely have scores of economists and business analysts examining other entities' bidding strategies and determining with uncanny statistical certainty whom they are bidding against.")

²⁷ See, e.g., Comments of Paul Milgrom and Gregory Rosston ("Milgrom/Rosston Comments") at 3.

²⁸ *Id.*

²⁹ Indeed, given the amount of spectrum available and the paucity of available equipment and services, the AWS auction has more in common with the original broadband PCS auction than the most recent Auction 58. Accordingly, for the same reasons that the Commission adopted full transparency for the first broadband PCS auctions, it should do so here as well.

In opposition to Verizon Wireless and the few academics that support blind bidding stand the vast majority of carriers participating in this proceeding. In response to the Bureau's concerns regarding the potential for collusive conduct, these parties point out that the Bureau has neither raised any specific allegations regarding collusion among bidders in recent spectrum auctions nor cited any evidence that disclosing bidder identities has resulted in lower bidding prices during previous auctions.³⁰ Further, U.S. Cellular observes that recent academic studies, such as those on which the Bureau wants to base its radical change in policy, relate to auctions that took place *before* the Bureau stepped up enforcement of the anti-collusion rules and adopted improvements to its bidding procedures such as fixed bid increments.³¹ Finally, the Bureau has failed to explain how bidders *can* conduct themselves in accordance with the anti-collusion rules if they lack information concerning the parties that they are bidding against.³²

Moreover, the commenting parties demonstrate that the Bureau has significantly underestimated the benefit to carriers of full transparency. For example, knowing the identities of other bidders can be invaluable to a bidder in attempting to value a given license.³³ Contrary to the Bureau's assertion in the *Notice*, the values of licenses issued in prior spectrum auctions will be of limited value at best in light of the fact that no services are being offered in, and no equipment is yet available for, the AWS-1 band.³⁴ This information is also extremely useful from a valuation and technical perspective, *e.g.*, in evaluating whether roaming with a particular

³⁰ See MetroPCS Comments at 15.

³¹ See U.S. Cellular Comments at 14-15.

³² See Cingular Comments at 9.

³³ See MetroPCS Comments at 10; U.S. Cellular Comments at 18-19; and T-Mobile Comments at 8.

³⁴ See Cingular Comments at 8-9.

bidder will be possible.³⁵ Further, some commenters observe that full transparency is of vital importance to the financial markets.³⁶

Several parties also note the difficulties that the Bureau would face in maintaining the secrecy of bidder information during the course of an auction process that could potentially last several months from the filing of short-form applications until the deadline for down payments.³⁷ If a leak of bidder information occurred, the harm to the integrity of the auction would be considerably greater than any theoretical risks in making such information public from the beginning, since some parties would likely receive such information while others would not.

Finally, to the extent that blind bidding is designed to protect smaller carriers and new entrants from large national carriers or *vice versa*, it is misplaced. For example, blind bidding is not necessary to protect smaller carriers and new entrants from potential anticompetitive bidding activities of the national carriers. First, it is not clear that anticompetitive bidding by the national carriers (*e.g.*, bidding to keep smaller carriers and new entrants out of markets, or to drive up the smaller carriers' and new entrants' prices) has occurred in previous broadband PCS auctions. For example, in Auction 58 held last year smaller carriers and new entrants were able to acquire a significant number of licenses in major metropolitan areas around the United States. If the large national carriers had wanted to block competitive entry, they surely could have done so in that auction fairly easily considering that in some markets there was as little as 10 MHz (*i.e.*, one license) available.³⁸ Second, a national carrier seeking to block entry of smaller carriers

³⁵ See MetroPCS Comments at 11; and T-Mobile Comments at 8.

³⁶ See MetroPCS Comments at 13; and T-Mobile Comments at 8.

³⁷ See, *e.g.*, T-Mobile Comments at 6-7.

³⁸ In addition, unlike the situation in Auction 66 where blocking may require coordination between bidders, a single bidder could have limited opportunities for smaller carriers and new entrants in Auction 58.

and new entrants will find it considerably more difficult in the upcoming AWS auction than in Auction 58 because the AWS auction in some markets includes nine times the amount of spectrum available than in some markets in Auction 58.³⁹ A bidder would find trying to block competitive entry to be difficult, if not impossible, in these circumstances. The AWS auction includes 90 MHz of spectrum spread over 6 licenses. In order for a single carrier to block a new entrant or a smaller carrier from gaining access to spectrum, the carrier would be required to be the high bidder on all 6 licenses.⁴⁰ If a carrier tried to rely on others to block competitive entry, the free-rider problem would preclude this from working because bidders, absent collusion, would not be incented to block entry if they had to spend considerable sums of money to benefit other carriers.⁴¹ Third, the very carriers that presumably would benefit from blind bidding – the smaller carriers and new entrants – unanimously agree that the *pro-competitive* benefits of complete transparency outweighs any potential downside from making certain bidding information available. These bidders need this information to be able to properly value the licenses being auctioned, to finance their bids, and to ensure that they will know when equipment and other services, such as roaming, may be available. Since the smaller carriers and new entrants are in the best position to know what is in their best interest, the Commission should not implement blind bidding to the extent that it is being promulgated to protect these smaller

³⁹ In addition, nothing has occurred in the wireless marketplace within the last year that suggests that large national carriers have an increased incentive to block competitive entry.

⁴⁰ If a carrier tried to do this, other bidders retain the right to protest the offending carrier's long-form application. This again acts a brake on any such anticompetitive behavior.

⁴¹ As pointed out by MetroPCS and others, one of the benefits of full transparency is that bidders are able to be third party enforcers of the Commission's rules. To the extent that a bidder determined that a group of carriers appeared to be engaged in explicit or tacit collusion to block entry or otherwise, it could bring that to the attention of the Commission. However, to the extent that the Commission implemented blind bidding, these same bidders would have no ability to do so.

carriers and new entrants from the potential anticompetitive bidding activities of large national carriers.

The large national carriers also are not in need of any protection on this score as there is no real possibility than smaller carriers or new entrants would be able to drive prices so high as to preclude these carriers from securing licenses. Given the market capitalization of the large national carriers, smaller carriers and new entrants would have no ability to do more than drive the price up on more than a few licenses.⁴² However, to the extent that large national carriers find a particular license to be overpriced they can bid on another license thus thwarting any effort to drive up their prices. Again, just as it is very difficult – if not impossible – for large carriers to preclude new entrants in the AWS auction absent collusion, it also is just as difficult if not impossible for new entrants, absent collusion, to significantly drive up prices on all licenses sought by the large national carriers. Further, the small carriers and new entrants are not incented to bid to drive up prices because any overall increase in price for licenses could equally fall on any licenses in which they may be interested. Since there is 90 MHz of spectrum available, it is very unlikely that any one bidder can cause a large national carrier to pay more for one license than any other license. Finally, to the extent that a smaller carrier or new entrant bids merely to drive up prices, there is always the possibility that the large carrier will not bid again on the same license, making this a risky venture (particularly in light of the proposed increases in penalties) and unlikely to be supported by the financial backers of smaller carriers and new entrants. Again, with the exception of Verizon Wireless, the large national carriers that would be

⁴² Again, to the extent that full transparency exists, large carriers who believe that smaller carriers or new entrants are engaged in anticompetitive collusion would have the information available to address their concerns with the Commission.

the natural beneficiaries of blind bidding to the extent it is designed to favor them are uniformly against it as well.

In short, the Bureau's proposal to adopt blind bidding for the AWS-1 auction is based on flawed premises. First, the Bureau assumes that the AWS-1 auction presents special risks as far as collusion is concerned, but relies on economic studies that ignore previous rule changes and enforcement of anti-collusion rules. Second, the Bureau undervalues the pro-competitive benefits of information regarding the identity of other bidders, which remains as important or more so in this auction as it has been in the past, as shown by the carriers that are the parties best placed to know the extent to which such information will be useful to them. Third, all of the potential beneficiaries of blind bidding are diametrically opposed to the Bureau's proposals and, in any event, blind bidding is not necessary to foster competition and new entrants.

Consequently, MetroPCS agrees with the vast majority of other carriers and urges that the Bureau not adopt its proposed blind bidding procedures.

IV. OTHER ISSUES

Certain parties have suggested that the Bureau lower the reserve price for certain licenses.⁴³ While MetroPCS initially supported the Bureau's proposal of a flat reserve price of \$0.05 per MHz per Pop across all license bands, it finds the arguments raised by these other parties persuasive. In light of the fact that large national carriers may have little or no interest in certain smaller markets, particularly RSAs that encompass rural areas, there is a strong possibility that the values ascribed to these license areas may be orders of magnitude less than the larger license areas. The public interest is best served by having spectrum licensed and not

⁴³ See Wirefree III Comments at 1; RTG Comments at 6.

by having it remain unlicensed at the conclusion of the auction. Therefore, MetroPCS submits that a reserve price of \$0.025 per MHz per Pop may be more appropriate for such markets. This will reduce the likelihood that such licenses will remain unsold at the end of the auction, and will not create any serious risk that the licenses will be undervalued—the final price for such a market will exceed the reserve price to the extent that carriers have an interest in such market.

V. CONCLUSION

In light of the foregoing, MetroPCS respectfully requests that the Bureau adopt auction procedures in conformance with these Reply Comments.

Respectfully submitted,

MetroPCS Communications, Inc.

By: /s/ Carl W. Northrop
Carl W. Northrop
J. Steven Rich
PAUL, HASTINGS, JANOFSKY & WALKER LLP
875 15th Street, NW
Washington, D.C. 20005
Telephone: (202) 551-1700
Facsimile: (202) 551-1705

Mark A. Stachiw
Senior Vice President, General Counsel and
Secretary
MetroPCS Communications, Inc.
8144 Walnut Hill Lane, Suite 800
Dallas, Texas 75231
Telephone: (214) 265-2550
Facsimile: (866) 685-9618

Its Attorneys